

**MEETING TITLE AND DATE:**

COUNCIL – 27 February 2013

**JOINT REPORT OF:**

Director of Health, Housing & Adult Social Care  
 Director of Finance, Resources and Customer services

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Agenda – Part: 1

Item: 8

**SUBJECT:**

**Housing Revenue Account Estimates 2013/14  
 and Rent Setting (HRA & Temporary  
 Accommodation)**

**ALL WARDS**

CABINET MEMBERS CONSULTED: CLLR OYKENER  
 CLLR STAFFORD

**1. EXECUTIVE SUMMARY**

- 1.1 The report presents for approval the revenue estimates of the Housing Revenue Account (HRA) for 2013/14 and the updated position on the HRA 30 year business plan.
- 1.2 The Council is asked to approve the level of rents and service charges to be operative with effect from 1st April 2013 for Council tenants and for tenants in temporary accommodation.

**2. RECOMMENDATIONS**

- 2.1 That the detailed revenue estimates of the Housing Revenue Account for 2013/14 be approved.
- 2.2 That the rents be increased in line with national social rent policy. This will result in an average increase of 3.9% for Enfield tenants.
- 2.3 That all void properties be re let at target rent.
- 2.4 The level of service charges as set out in Paragraph 6.1 for those properties receiving the services be agreed for 2013/14.
- 2.5 That the proposals for increases in other income as detailed in Appendices 2 and 3 be agreed for 2013/14.
- 2.6 That the Temporary Accommodation rents as set out in Appendix 5 be agreed for 2013/14.
- 2.7 That the total HRA capital programme of £47.5m be agreed.
- 2.8 To note that Cabinet agreed authority should be delegated to the Cabinet Member for Housing and the Director of Health, Housing and Adult Social Care to approve tenders for Decent Homes and General Works.

### **3. BACKGROUND HRA BUSINESS PLAN AND HRA SELF FINANCING**

- 3.1 The Localism Act, replaced the current Housing Subsidy system with a system of HRA self financing which commenced from 1<sup>st</sup> April 2012.
- 3.2 The thirty year HRA business plan was approved by Cabinet in July 2012. The business plan is based on the following overarching assumptions:
- Rents will be increased in line with government guidelines until the end of 2015/16 and thereafter increase by RPI plus 0.5% (thus mirroring the assumptions in the government financial settlement).
  - The council is likely to borrow up to the HRA debt cap in the early years and after that it will set aside reserves to repay debt or actually repay debt. Any treasury management decisions will be taken within the context of protecting the council interests as a whole.
  - The council will improve or renew 16 estates over the next 30 years four of which will happen in the first 10 years Alma, New Avenue, Ladderswood and Highmead.
  - The Decent Homes backlog plus all elemental backlog will be cleared by the end of year 5 (March 2017).
- 3.3 The business plan also included a treasury management plan and details of planned capital expenditure.
- 3.4 This report updates the previous HRA business plan which was submitted to cabinet in July 2012. This report also sets out the proposed detailed budget for 2013/14 and the proposed increases in rents and service charges.

### **4. RENTS and SERVICE CHARGES**

- 4.1 Each year the Council is required by law to set the level of rents for Council dwellings for the forthcoming financial year after consultation with tenants. The decision must be taken early enough for tenants to be advised of any change at least 4 weeks prior to the date of change.
- 4.2 The rent increase for 2012/13 was based on an inflation increase of 5.6%. The rent increase for 2013/14 is based on an inflation increase of 2.6%.
- 4.3 The Government decided in 2003/04 that Local Authority and Registered Social Landlord rents should be calculated using a formula based system. Since 2003/04 Enfield rents have been calculated using this National social rents policy. The formula is based on:
- the market value of the property,
  - average earnings for London manual workers
  - the national average council rent
  - the number of bedrooms in the property.
- 4.4 In addition to the rents, tenants may also be charged a service charge for certain communal services as appropriate. Government guidance gives some discretion

over which services may be charged separately. The proposed charges for 2013/14 are shown in paragraph 6.1. No new service charges are proposed for 2013/14.

- 4.5 The move to formula rents (“rent convergence”), together with the separate charging for services, would have meant significant increases or decreases for some tenants if introduced immediately. In recognition of this the Government decided that the move to the new formula rents would be phased and that no rent should increase by more than £2 per week plus inflation plus 0.5%. It is intended that actual rents should converge with formula rents by the end of 2015/16.
- 4.6 The council has the freedom to establish a different rent policy but the impact of any change in policy will have a significant impact on the business plan. The Business plan as agreed in July assumed that the national social rent policy would be followed until convergence in 2015/16.

## **5. PROPOSED RENT CHARGES FOR 2013/14**

- 5.1 As outlined in Paragraph 4.3 it is recommended that the 2013/14 rents be increased in line with National social rent policy. This calculation includes RPI of 2.6% at September 2012 plus 0.5% plus the move to convergence which is an average of 0.8%. This results in total in an average rent increase of 3.9% but because of rent restructuring and the need to move towards formula rents there is a variation in the increase of individual charges.
- 5.2 The formula rents regime sets upper limits on rents for different sized properties. In 2013/14 the caps on weekly rents are as follows:

**TABLE 1 CAPS ON WEEKLY RENTS**

	£
1 bed bedsit	132.15
2 bed	139.92
3 bed	147.70
4 bed	155.47
5 bed	163.24
6 bed	171.02

In cases where the formula rent exceeds the cap level the formula rent is set at the cap level and the actual rent will be moved in stages to the cap level.

- 5.3 The limit rent is set at £2 so no rent can increase by more than RPI plus 0.5% plus £2.
- 5.4 Appendix 5 shows examples of the proposed rents for 2013/14 for different property types and sizes across the Borough. It should be noted that these will vary for each tenant depending on how far the actual rent is from the formula rent.
- 5.5 There are three years left before convergence and a majority of rents are close to the formula rent. It is therefore proposed that any voids be relet at the formula rent.

## 6. PROPOSED SERVICE CHARGES FOR 2013/14

- 6.1 It is also recommended that the following service charges be made to those tenants in receipt of the services listed below

**TABLE 2 – PROPOSED SERVICE CHARGES 2013/14**

	<b>Charge per week 2012/13 £</b>	<b>Charge per week 2013/14 £</b>
Caretaking level (2) (resident)	4.57	4.74
Caretaking level (1) (non resident)	2.87	2.92
Caretaking level (2) Sheltered	From 1.30 to 3.27	From 1.38 to 3.02
Concierge	10.61	10.61
Grounds maintenance	1.16	1.20
CCTV	1.25	1.25

- 6.2 These charges aim to recover the full cost of the service. Concierge charges have remained the same and reflect the cost of the contract. There has been an increase in caretaking and grounds maintenance charges due to inflation.
- 6.3 In addition to the above, water and sewerage charges will continue to be collected through the rents on behalf of the water authorities.
- 6.4 The above charges have also been built in to the expected income from leaseholders where appropriate.

## 7. LEASEHOLDER SERVICE CHARGES

- 7.1 Details of estimated service charges for leaseholders are included at Appendix 4. This Appendix includes an estimate of all charges to leaseholders.
- 7.2 The administrative fee proposed for 2013/14 is £194.98 per leasehold unit; this is a 2.51% increase from 2012/13.

## 8 HEATING CHARGES

### 8.1 General Heating Costs

There will be no increase in heating costs overall. Energy costs have increased but usage, when compared to previous estimates, has declined.

### 8.2 General Heating Fund Charges

It is proposed to amend the method for charging heating for sheltered housing tenants within the fund, in blocks receiving gas heating. It is proposed that these tenants cease being part of the fund from April 2013 but instead are charged on a block by block basis. This will lead to different charges for each block, according to usage, but will ensure a reduction in heating charges for tenants in these blocks as there was a measure of cross subsidy of different fuel types within the fund.

This new method is being consulted on with the proposal that it is implemented from the beginning of April. This is a pilot scheme and following further consultation may be extended to all blocks in 2014/15.

For all other residents, receiving electricity or oil based heating; there will be a small increase in charges of between £0.47 and £0.99 per week, dependent on bed size, to rebalance the fund.

### **8.3 Alma and Bliss and Purcell**

There are no proposals to increase heating charges at Alma and Bliss and Purcell.

## **9. TEMPORARY ACCOMMODATION RENTS**

Proposed Temporary Accommodation (TA) rents for 2013/14 are attached at Appendix 5. The rents have not changed from 2012/13. TA rents are now pegged to the Local Housing Allowance rate for the size of property in January 2011 less 10%, plus a flat rate management fee of £40 per week. The cap of £375 per week continues to limit rents for 4 and 5 bedroom accommodation.

## **10. HRA 30 YEAR BUSINESS PLAN**

The updated HRA business plan is attached as Appendix 9. The capital position has been updated to reflect the changes in the estates renewals programmes, the business plan as at July 2012 included a number of indicative figures which have now been updated.

This includes the addition of the Academy Street development and changes to the assumptions made to the small sites and new avenue estate renewals. In addition the assumptions on the Alma Towers development have been adjusted to reflect the up to date position.

As a result of these updates the profile of the borrowing has changed slightly although there will be no borrowing until 2014/15 as originally planned. Interest rate assumptions have been amended based on agreement with treasury management and this has reduced costs in future years.

No amendments have been made to RTB numbers but these will be kept under review. The business plan assumes an increase from 20 to 40 per year for the next 8 years.

As a result of these changes debt could be paid back sooner starting in year 13 rather than year 16 and this has been factored in to the model.

## **11. BASE BUDGET FOR 2013/14**

### **11.1 Financial Monitoring 2012/13**

It is necessary to review the projected expenditure against estimates for the current financial year to determine the anticipated balances as at 31 March 2013 and to take into consideration the ongoing impact of any other major changes that have occurred during the current year. These have been highlighted throughout the year in the regular financial monitoring reports; the latest monitoring report is indicating a net surplus of £556k on the HRA. A summary of the major changes in 2012/13 based on the November monitoring

position is shown in Appendix 1. Where appropriate, the ongoing impact of these variations has been included in the draft budget for 2013/14.

## 11.2 2013/14 Base Budget

Appendix 8 sets out the base budget for 2013/14 compared to the 2012/13 figures. The assumptions and explanations of the changes between 2012/13 and 2013/14 are outlined below.

## 11.3 Assumptions

Table 3 sets out the assumptions made in compiling the budget and medium term projections.

**TABLE 3 - ASSUMPTIONS**

Pay award	0% (1% set aside in a reserve)
Inflation on supplies and services	0%
R&M cost increases	0%
Garage income	2.6% (RPI)
RTB	40 per annum
Management fee	3% reduction (in line with the business plan)
Interest rate on borrowing	5.5% on existing debt 3.48% on new debt
Interest rate on balances	0.5% libid

## 12. DETAILED BUDGET CHANGES

### 12.1 Dwelling rents income – increase of £1.384m

This represents the additional income from an actual average increase in rents of 3.9%. This has been adjusted for the expected level of voids and the reduction in the number of hostels.

### 12.2 Leaseholder Service charge income – decrease of £190k

The initial charges to leaseholders are based on estimated costs but leaseholders pay actual costs for services and this reduction in expected income reflects that adjustment.

### 12.3 Management - increase of £44k

This represents the cost of managing the housing stock.

The management fee for 2012/13 has been reduced by £433k due to efficiency savings of 3% by Enfield Homes. There is a further decrease of £35k due to stock loss because of regeneration projects, However in line with other Housing organizations a contingency of £400k has also been set aside in the HRA in order to mitigate risk and to fund spend to save and other improvement initiatives.

In addition an IT budget has been included to fund future IT upgrades. It is also considered advisable to set aside resources for the retendering of the day to day

repairs contracts. Consultants have advised that a similar exercise in other boroughs has cost £275k.

**12.4 Special Services – increase of £191k**

This heading represents the following services: caretaking, cleaning, concierge, CCTV, grounds maintenance, sheltered accommodation and energy costs.

**12.5 Depreciation- increase of £166k**

There is a requirement to include an amount for depreciation of HRA assets in the HRA. The current estimate is based on the figures in the Self Financing model. The council is required to use more precise method for calculating depreciation known as component accounting. This is currently being developed, however the council can continue to use the existing basis for the next five years whilst developing the different methodology. Depreciation is set aside to fund capital works in future years.

**12.6 Bad Debts Provision – increase of £1.5m**

The increase reflects the risks associated with the expected changes to benefit regulations. It is anticipated that this will be used not only to significantly increase the bad debt provision but also to increase resources where appropriate to help prevent an increase in debt.

**12.7 Interest on balances- decrease of £172k**

This reflects the continuing low interest rates. When the current years budget was set it was anticipated that these would rise but this has not happened.

**12.8 Revenue surplus to fund future capital expenditure-decrease of £853k**

This represents the amount set aside from revenue to fund future year's capital expenditure. This figure is determined by the HRA business plan. This takes account of the capital programme and the other sources of funding available.

**13. ENFIELD HOMES MANAGEMENT FEE**

13.1 The management of the Council Housing stock was reviewed in 2012 (report to cabinet 18<sup>th</sup> July) and the contract with Enfield Homes was extended for a two year period to the end of March 2015.

13.2 Enfield Homes is paid a management fee by the Council for managing and maintaining the Housing stock. Details of the services to be provided are included in the management agreement. The management fee agreed for 2012/13 was £15.6m.

13.3 It is proposed that the management fee for 2013/14 should be £15.1m. This fee has been the subject of negotiation between the Council and Enfield Homes. The management fee for 2013/14 includes expenditure in Appendix 8 under the headings General Management and Special Services and part of the expenditure listed under Repairs.

13.4 A number of revenue budgets remain within the Council's accounts but are delegated to Enfield Homes to manage. These are outlined below:

- Rents dwellings (including service charges)
- Leaseholders service charges
- Garage income

- Repairs and maintenance
- Contracts for services i.e. concierge, cctv and grounds maintenance

#### **14. CAPITAL FINANCE AND PRUDENTIAL CODE**

- 14.1 The Prudential Code for Capital Finance requires the authority to have regard to affordability, prudence and sustainability when considering its capital investment plans and to set and keep under review a range of prudential indicators. The prudential indicators for the HRA are:
- estimated capital financing charges as a percentage of net revenue stream
  - estimated capital expenditure
  - estimated capital financing requirement
  - incremental effect of capital investment decisions on housing rents.
- 14.2 The General Fund Budget report for 2013/14 elsewhere on the agenda sets out the background to the prudential code and shows the indicators for the HRA and the General Fund.
- 14.3 A further regulation is in force from 2012/13. As part of the self financing determination the government has imposed a cap on HRA borrowing. This relates to the valuation calculation as determined by the self financing model. The cap for this Council is £198.015m. Actual borrowing at the end of 2012/13 is estimated to be £157.728m after including the settlement for self financing.
- 14.4 In essence the Prudential regime gives scope for the HRA to borrow for capital investment if the forecasts show that the resulting charges can be afforded over the medium to long term.
- 14.5 The Code, subject to an assessment of prudence, affordability and sustainability, gives scope to borrow above current levels. There is no additional HRA borrowing planned for 2013/14. However, the HRA business plan includes assumptions about borrowing in future years and about repaying debt during the lifetime of the business plan.
- 14.6 The CLG has made available Decent Homes funding of £82m so far (£15m in 2009/10, £35m in 2010/11, £14m in 2011/12 and £18m in 2012/13). Additional funding of £26.6m in total has been confirmed for 2013/14 and 2014/15 and this will be paid as a capital grant.
- 14.7 Enfield Homes prepared a five year capital programme for works which was approved by cabinet and council in October 2012. Projected expenditure for 2013/14 is £35.9m. There is also a contingency of £2.5m for asbestos related works.
- 14.8 In addition to the works to the stock it is anticipated that the estates renewal programme will cost £8.6m in 2013/14. This is reflected in the updated HRA business plan. This will be further updated as the business plan is developed.

#### 14.9 Overall capital programme 2013/14

	£m
Works to Stock (Appendix 7) (October Cabinet)	34.1
Additional Works to Stock	1.8
Additional resources for asbestos works if required	2.5
Estate Renewals	8.6
Grants to Vacate	0.5
	47.5

14.10 Capital expenditure for the current year for works to the stock is estimated to be £43.209m; this is as budgeted at the start of the year. The most recent monitor

#### 15. TREASURY MANAGEMENT STRATEGY AND BORROWING PROPOSALS

The original business plan as agreed at cabinet in July proposed that there would be no additional borrowing in 2013/14 this has not changed.

#### 16. HRA BALANCES

16.1 The estimated position on balances is set out below.

**TABLE 4: HRA BALANCES**

	Balance at 31/03/12	Use of balances/ increase in balances in 2012/13	Estimated balance as at 31/03/13	Estimated use of balances 2013/14	Projected balance at 31/3/14
	£m	£m	£m	£m	£m
<b>HRA General Balances</b>	11.56	1.06	12.62	0	12.62
<b>Repairs Fund</b>	5.12	(0.50)	4.62	0	4.62
<b>Total</b>	16.68	0.56	17.24	0	17.24

16.2 It is considered prudent to retain at least £6m in General balances given the risks and uncertainties set out in the previous section.

16.3 In reality the business plan will have considerably greater balances than £6m next year. In addition to the balances of £17.24m outlined above the HRA will also have monies from depreciation and revenue surpluses to fund the capital programme and receipts to fund the estates renewals programme. These balances are estimated to total £8.58m at the start of 2013/14.

16.4 It is beneficial for the HRA to retain £25.82m in balances because that will allow it to treat the same amount as 'internal borrowing'. If the HRA was to borrow that amount externally then the cost over the next 10 years would be an additional £1.375m p.a. in interest costs. This would have a significant impact on the

business plan. Internal borrowing exists because although the council has debt (£157.728m of which is HRA debt) it holds reserves and balances. It can offset one against the other and it does not have to externally borrow the entire amount.

- 16.5 Capital expenditure is partly funded by grant but also by revenue surpluses therefore there will be a significant increase in these surpluses and that is shown in the table above under the heading Major repairs reserve. It is expected that revenue surpluses will be set aside to fund future year's capital programmes. It is intended that £8.5m will be set aside in 2012/13 and £7.8m in 2013/14.
- 16.6 The £4.62m in the repairs fund is intended for any significant increase in repairs costs. This is particularly likely in years where there are severe weather conditions.
- 16.7 In addition it is prudent to create a separate reserve for regeneration purposes to allow carry forwards from year to year to reflect reprofiling of schemes. On that basis the reserves have been split as outlined above.
- 16.8 In addition to the above reserves, a bad debt provision of £1.5m existed at 31 March 2012. The adequacy of this amount will be reassessed at the end of the financial year to reflect the level of rent arrears. It is considered prudent to increase the provision to reflect the risks associated with the government changes to the benefit system and the introduction of universal credit.

## **17. RISKS AND UNCERTAINTIES**

### **17.1 HRA 30 year business plan and self financing**

The reform of the HRA has had a major impact on the operation of the Housing Revenue Account from 2012/13. The freedoms and flexibilities for the HRA have only been in operation for one year and are a major change for the management of the HRA.

### **17.2 Estate renewals**

The following estate renewals are ongoing

Ladderswood

Highmead

Alma Towers

Small sites

New avenue

This represents a challenging position and reprofiling and additional costs can have a significant effect on the business plan.

### **17.3 Benefit changes**

The implementation of benefit changes will impact on the HRA. Implementation will start in 2013/14. The impact is not yet clear but is likely to be significant. The contribution to the bad debt provision was increased from £300k to £500k in 2012/13. Some of this resource was used to fund additional staffing to support the new benefit system. The contribution to the bad debt provision from 2013/14 has been further increased by an additional £1.5m.

The change to the method of payment of benefit and the cap on benefits will impact significantly on tenants' ability to pay their rent and potentially on the level of arrears. The prospect of the economic outlook may also impact on the level of arrears. It is therefore prudent to significantly increase the contribution to the bad debt provision. This may change once the full impact of the benefit changes is known. Some of this resource will also be used to fund staffing to help prevent an increase in the level of rent arrears.

#### **17.4 RTB**

The increase in the RTB discount to a maximum of £75k has seen an applications increase four fold over the last year. It is becoming clear these applications will result in a large increase in actual sales. It is expected that sales in 2012/13 will total at least 31 whereas sales in 2011/12 totalled 8. The projected total of sales for 2013/14 is 40.

### **18. ALTERNATIVE OPTIONS CONSIDERED**

Two alternatives were considered; these were not increasing rents in line with the national social rent policy as recommended by the Government and increasing rents above this guideline. These two options were both discounted. If rents were not increased this would mean significant loss of income and would undermine the business plan in future years. The HRA self financing settlement was based on the assumption that rents were increased in line with national social rent policy. If rents were increased above this policy this would put additional unnecessary financial pressures on tenants.

### **19. REASONS FOR RECOMMENDATIONS**

In view of the implications of the alternatives mentioned in paragraph 19, it is recommended to increase rents in line with national social rent policy and Government guidance on self financing.

### **20. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES & CUSTOMER SERVICES OTHER DEPARTMENTS**

#### **20.1 Financial Implications**

The Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of estimates and the adequacy of proposed financial reserves. The 2013/14 HRA estimates have been prepared taking into account the following:

- The estimated impact of inflationary pressures. Allowance has been made for cost increases over and above the general rate of inflation where these are known;
- The estimated impact of increasing demands on resources where these are unavoidable;
- The estimated impact of underlying cost pressures, evidenced by financial monitoring reports in the current year; and
- An assessment of key risks and uncertainties.

It is therefore the view of the Director of Finance and Corporate Resources that the HRA budget is robust and that the balances held are prudent.

## **20.2 Legal Implications**

Sections 167 to 175 of the Localism Act 2011 introduced self financing. This replaces the Housing Revenue Account (HRA) Subsidy system and local authorities currently operating HRA will be able to keep all of their rental income and use it to support their housing stock. It also provides for the determination of settlement payments calculated in accordance with such formulae as the Secretary of State may issue from time to time. The settlement payment under the 2011 Act replaced subsidy payments made under the HRA.

Local authorities have the power to set their own rents under section 24 of the Housing Act 1985, as amended by section 162 of the Local Government and Housing Act 1989. Such charge must be reasonable for the tenancy or occupation of their premises. Section 24 also requires local authorities to periodically review rents and make such changes as circumstances may require. The section confers a broad discretion as to rents and charges made to tenants. It is noteworthy that The Guide to Social Rent Reform issued by the Office of the Deputy Prime Minister (ODPM) in 2003 states that local authorities retain the discretion to decide what services can be charged for in addition to rent. Local authorities are expected to set reasonable and transparent charges which closely reflect what is being provided to tenants. The Guide recommends that protecting tenants from sudden large increases in their rent and service charges should take priority.

In relation to Temporary Accommodation rent, local authorities have discretion over the rents charged to their tenants and consequently have the power to increase the rent so long as some notice is given. The statutory 4 week notice does not apply to this category of tenants as they are not secure tenants but it is advised that a comparable amount of notice is given. The Income-Related Benefits (Subsidy to Authorities) (Temporary Accommodation) Amendment Order 2010 came into force on 1<sup>st</sup> April 2011. It makes changes to the way Housing Benefit Subsidy is calculated for tenants in temporary accommodation. The new subsidy scheme has been designed to better reflect the actual cost faced by local authorities in providing this type of accommodation and thereby encourage them to charge tenants a fair market rent for the type and location of the property occupied.

The Council has a duty to show they have consciously addressed their mind to carrying out an Equality Impact Assessment (which includes any decision to increase or introduce charges to tenants).

## **21. KEY RISKS**

**Detailed in Section 13**

## **22. IMPACT ON COUNCIL PRIORITIES**

**Fairness for All**

Providing high quality housing continues to be a priority. Rents are set in line with Government guidance and an increase of 3.9% is low when compared to a number of other London Boroughs.

### **Growth and Sustainability**

The recommendations in the report will ensure that there is a sustainable HRA. The proposals will promote positive investment in the housing stock, ensure adequate funding is made available for the Council's landlord function and encourage compliance with the government regulation on setting rents.

### **Strong Communities**

Setting fair rents, investing in the Council's housing stock and effective management of the Council's housing stock by Enfield Homes are some of the areas of this report that will have positive effect on the local community.

## **23. EQUALITIES IMPACT ASSESSMENT**

The HRA Business Plan supports the delivery of high quality services that promote equality, and value diversity.

## **24. PERFORMANCE MANAGEMENT IMPLICATIONS**

Setting a balanced budget for 2013/14 should enable the HRA performance targets to be met. Sound medium term financial plans are essential to support the delivery of excellent services and the efficient use of resources across the organisation. The budget proposals set out in this paper will ensure that the Council's limited capital and revenue resources are targeted on these key priorities.

## **25. PUBLIC HEALTH IMPLICATIONS**

There are no public Health implications arising directly from setting this rent and detailed budget for 2013/14.

<b>Background Papers</b>	<b>Where Located</b>	<b>Contact</b>
None		

## APPENDIX 1

### Monitoring Variations for period ending 30th November 2012

Service Centre	This Month £'000
<b>Retained</b>	
<b><u>Rents Non-Dwellings - Shops</u></b>	
Additional Aerial income of £90k has been received due to property services completing a review of previous year's inflation charges. The outcome of the review has identified that inflationary increases haven't been applied for several years resulting in back dated charges. Additional rental income of £25k from shops has also been identified this month	(115)
<b><u>General Management</u></b>	
The final subsidy settlement has been agreed and has resulted in a refund of £281k. This is due to changes in the consolidated rate of interest (CRI), at outset the CRI used was 3.53% and when completing the final subsidy claim the CLG advised us to use 3.55%	(281)
<b><u>Services - Police Community Support Officer's (PCSO's)</u></b>	
The recharge for the PCSO's has been reduced by £56k due to a reduction in the service on estates during the summer Olympics	(56)
<b><u>Hostels running costs</u></b>	
The hostels running costs budget is overspending by £16k due to additional costs that weren't included when setting the budget, the charges include energy and security costs	16
<b><u>Services - Supporting People</u></b>	
An overspend of £10k in supporting people/sheltered housing budgets has been identified, this has slightly reduced this month due to an updated charge rate per client	10
<b><u>Interest on Balances &amp; Cost of Capital/Interest Payable</u></b>	
A detailed review of the interest on balances and item 8 calculation has been completed this month. The HRA loans have been split between Capital Financing Requirement and Self Financing; we have then applied actual interest rates on the debt. The estimated CRI was 4.67% and the actual average CRI is 3.28%, this reduction in interest rates has resulted in a saving of £552k.	(552)
<b>Total Variation</b>	<b>(978)</b>
<b>Managed</b>	
<b><u>Rents Dwellings</u></b>	
An over-recovery of income in Dwellings Rent has been identified due to a reduction in the void rate, the estimated void rate was 1.6% but the current rate is 1.29%	(250)
<b><u>Bad Debt Provision</u></b>	
When calculating the 12-13 estimates a bad debt provision of £200k for welfare reform was made. As this has been delayed and will not be implemented until the new year this provision will now not be required.	(200)
<b><u>Council Tax of Void Properties</u></b>	
An overspend of £40k has been identified in council tax on void properties. This is due to a high number of voids from estate renewal projects which were previously entitled to discounts, as these have been void for a significant amount of time they are not entitled to the discount and a full year charge will be applied in 12-13.	40
<b><u>Garages</u></b>	
An under-recovery of income in Garages Rent has been identified due to a 1% increase in the void rate; the estimated void rate was 57%. A review of all garages is currently being undertaken and the results will be reported in October.	27
<b><u>Repairs and Maintenance</u></b>	
The savings target for Repairs and Maintenance was £972k for 2012-13, 80% of this target has been successfully achieved. However, there has been a 12% increase in the number of repairs to the end of October and if this trend continues then the budget is projected to overspend by £805k.	805
<b>Total Variation</b>	<b>422</b>
<b>Total HRA Variation</b>	<b>(556)</b>

## OTHER PROPOSALS FOR INCREASED INCOME IN THE HRA

## 1. Garage Rents

- 1.1 There are 2 types of garages, which are let to Council tenants, leaseholders and private tenants, wire cage (multi-storey block) and the standard lock-up.
- 1.2 A 'non Council tenant premium' is also charged on all lets to private tenants, and any Council tenant or leaseholder who rents more than 2 garages. It is proposed that the rents be increased by 2.6%. The proposed charges for 2013/14 are:

	<b>2012/13 Weekly Net Rent £</b>	<b>2013/14 Proposed Net Rent £</b>
Category (G1) Standard Lock-up Garages	8.95	9.18
Non Council tenant premium (NCTP)	2.37	2.43
Category (G0) Garages in multi-storey blocks	5.13	5.26

**2. Communal Heating Charges**

2.1 The Council has 1,727 properties in 71 blocks of flats serviced by communal heating systems. The properties do not have individual metering. There is a mixture of electric, gas and oil fired systems but the charges for tenants (which are reviewed annually) are calculated on a pooled basis rather than on the cost of the fuel used by individual systems.

2.2 Since 1996 leaseholders have been charged a proportion of the actual cost of the fuel used in their blocks, calculated on the basis of individual property rateable values.

**2.3 General Heating Costs**

There will be no increase in heating costs overall. Energy costs have increased but usage, when compared to previous estimates, has declined.

**2.4 General Heating Fund Charges**

It is proposed to amend the method for charging heating for sheltered housing tenants within the fund, in blocks receiving gas heating. It is proposed that these tenants cease being part of the fund from April 2013 but instead are charged on a block by block basis. This will lead to different charges for each block, according to usage, but will ensure a reduction in heating charges for tenants in these blocks as there was a measure of cross subsidy of different fuel types within the fund. This new method is being consulted on with the proposal that it is implemented from the beginning of April. This is a pilot scheme and following further consultation may be extended to all blocks in 2014/15.

For all other residents, receiving electricity or oil based heating; there will be a small increase in charges of between £0.47 and £0.99 per week, dependent on bed size, to rebalance the fund.

**2.5 Alma and Bliss and Purcell**

There are no proposals to increase heating charges at Alma and Bliss and Purcell.

**ADMINISTRATION/MANAGEMENT CHARGE FOR LEASEHOLD UNITS**

1. The administration and management charge is a flat rate added to the cost of services to cover the preparation of estimates and actual costs, billing consultation on repairs and improvement works and estate management.
2. It is estimated that by 31 March 2013 a total of 4,522 properties will have been sold under leasehold arrangements.
3. At the end of each financial year, the actual cost is determined and an appropriate adjustment made to the charge.
4. The cost of administration and management for 2013/14 is estimated at £882k and it is, therefore, recommended that the charge for 2013/14 be fixed at £194.98 per leasehold unit. This compares with the 2012/13 charge of £190.20 per leaseholder unit.
5. The charges below are estimates for 2013/14, adjustments will be made mid year to reflect actual charges.

	<b>Charge per week 2012/13 £</b>	<b>Charge per week 2013/14 £</b>
<b>Administration &amp; Management Charge</b>	3.66	3.75
<b>Caretaking level (1) (non resident)</b>	2.87	2.92
<b>Caretaking level (2) (resident)</b>	4.57	4.74
<b>Concierge</b>		
Merlin House	10.03	10.03
Cormorant House	10.52	10.52
Kestral House	9.94	9.94
Curlew House	10.80	10.80
Walbrook House	11.82	11.82
<b>CCTV</b>		
Alma Road	1.09	1.09
Walbrook House	1.89	1.89
Shepcot House	1.30	1.32
<b>Grounds Maintenance</b>	1.16	1.20
<b>Paladin Bins</b>	1.60	1.70
<b>Insurance</b>		
1 Bed	1.71	1.80
2 Bed	1.94	2.03
3 Bed	2.21	2.32
4 Bed	2.46	2.59
<b>Flat Repairs (Annual Charge)</b>	1.00	1.00
<b>Ground Rent (Annual Charge)</b>	10.00	10.00
<b>Estate Charge (Annual Charge)</b>	10.00	10.00

**Rental Increase Summary**

<b>Property Type</b>	<b>Average Rent 12-13</b>	<b>Average Rent 13-14</b>	<b>% Increase</b>	<b>£ Increase</b>
Bedsit	74.25	77.35	4.17%	3.10
1 bed flat	79.97	83.01	3.79%	3.03
1 bed house	88.27	92.98	5.34%	4.71
2 bed flat	89.31	92.34	3.40%	3.03
2 bed house	99.97	104.57	4.60%	4.60
3 bed flat	99.54	102.82	3.30%	3.29
3 bed house	109.87	114.89	4.57%	5.02
4 bed flat	103.88	107.58	3.56%	3.70
4 bed house	120.57	125.30	3.92%	4.73
5 bed house	126.49	131.54	3.99%	5.05
6 bed house	149.47	153.88	2.95%	4.41
<b>Average</b>	<b>92.38</b>	<b>95.99</b>	<b>3.91%</b>	<b>3.61</b>

The above are examples of the average rents likely to be charged for specific properties. They are not necessarily typical, nor the maximum or minimum rents which will be charged.

Service charges have been excluded, but will be payable in addition to the rent subject to the services provided to each property.

The rent calculation is a function of the formula rent (using the CLG formula) and the existing 2012/13 net rent and is subject to various caps and limits.

**TEMPORARY ACCOMMODATION RENTS**

No increase is planned for 2013/14 and there was no increase for 2012/13

<b>Category</b>	<b>Weekly rent 2012/13</b>	<b>Weekly rent 2013/14</b>
	<b>£</b>	<b>£</b>
Shared accommodation	178.75	178.75
1 bedroom self contained	200.88	200.88
2 bedroom	247.90	247.90
3 bedroom	310.00	310.00
4 bedroom	375.00	375.00
5 bedroom and larger	375.00	375.00

2013-14 Programme by Element													
PRIORITY	AREA/ESTATE/INDICATIVE SCHEME	BATHROOM	COMMUNAL	DOOR	ELECTRICS	HEATING	KITCHEN	LIFT	OTHER	ROOF	STRUCTURAL	WINDOWS	Grand Total
1	<b>ANGEL 2</b>												
*	Fore Street, Moree Way and The Mews	166,940	553,078	26,367	115,180	161,505	277,478		661,386	332,616	365,207	603,680	3,263,437
	<b>ANGEL 4</b>												
*	Joyce Avenue amd Snells Park	308,162	37,164	49,332	54,972	89,260	481,661		186,292	29,448		108,957	1,345,248
	<b>HIGHWAYS 4</b>												
*	Bouvier Road, Hoe Lane Flats, Oatlands		734,877						466,753	1,711,670	93,825	1,522,142	4,529,266
	Old Road and westcroft Close												
	<b>HIGHWAYS 5</b>												
	Eastfields Road, Oatlands	501,344	681,177	67,194	68,061	396,176	643,959	1,256,507	632,578	731,484	74,634	920,290	5,973,404
	Standard Road and The Sunny Road												
	<b>PONDERS 4</b>												
	Bowood Road, Burncroft	337,218	308,617	51,033	39,266	2,487	486,896	1,256,507	145,692	305,896	42,648	867,284	3,843,543
	Exeter Road and Goldsdown Road												
2	<b>HIGHWAYS 3</b>												
	Albany Road, Ashton Road, Aspen Way, Beaconsfield Road	888,884	1,206,423	207,536	539,250	602,044	1,387,392		2,631,339	723,068	405,155	1,195,909	9,787,000
	Chestnut Road, Elsinge, Fendale Road, Grove Road West												
	Holly Road, Holmwood Road, Johnby Road, Malvern Road												
	Oatlands, Ordnance Road, Park Road, Princes Avenue												
	Ramney Drive and Raynton Road												
3	<b>LATYMER 4</b>												
*	Klinger Estate		143,943						173,881	546,629	75,700	993,214	1,933,367
	<b>PONDERS 2</b>												
	High Street, Oatlands and Welsh	19,632	33,939	13,609		12,303	20,942		348,630	174,643	2,114,160	53,660	2,791,518
4	<b>ANGEL 3</b>												
	Cavendish Road	88,542		5,103	2,618	87,034	141,357					32,736	357,389
5	<b>ANGEL 1</b>												
	Bounces Road.							314,127					314,127
	<b>Grand Total</b>	<b>2,310,721</b>	<b>3,699,217</b>	<b>420,175</b>	<b>819,347</b>	<b>1,350,808</b>	<b>3,439,686</b>	<b>2,827,141</b>	<b>5,279,287</b>	<b>4,555,454</b>	<b>3,171,328</b>	<b>6,265,136</b>	<b>34,138,299</b>

## HOUSING REVENUE ACCOUNT 2012/13 TO 2013/14

## APPENDIX 8

	2012-13 Estimate	2013-14 Estimate	Variations	See Para
<b>Expenditure</b>				
General Management	14,320,940	14,364,760	43,820	12.3
Special Services	5,372,000	5,562,540	190,540	12.4
Rent Rates and other Charges	171,180	298,640	127,460	
Cost of Borrowing	7,456,160	6,923,500	-532,660	
Depreciation set aside to fund future repairs	13,282,000	13,447,650	165,650	12.5
Repairs and Maintenance	12,390,560	12,797,950	407,390	
Provision for bad and doubtful debts	500,000	2,000,000	1,500,000	12.6
<b>Total Expenditure</b>	<b>53,492,840</b>	<b>55,395,040</b>	<b>1,902,200</b>	
<b>Income</b>				
Dwellings rent and service charges	-55,875,040	-57,259,500	-1,384,460	12.1
Garages	-656,210	-658,750	-2,540	
Shops/Commercial	-2,154,300	-2,168,540	-14,240	
Leaseholder service charges	-3,150,240	-2,960,530	189,710	12.2
<b>Total Income</b>	<b>-61,835,790</b>	<b>-63,047,320</b>	<b>-1,211,530</b>	
<b>Net cost of services</b>	<b>-8,342,950</b>	<b>-7,652,280</b>	<b>690,670</b>	
Cost of Premiums and Discounts	107,840	98,100	-9,740	
Interest on Balances	-297,450	-125,000	172,450	12.7
RTB Mortgage Interest	-750	-1,000	-250	
<b>Net Operating expenditure</b>	<b>-8,533,310</b>	<b>-7,680,180</b>	<b>853,130</b>	
<b>Contribution to Reserves for future capital expenditure</b>	8,533,310	7,680,180	-853,130	12.8
<b>Revenue Contribution for Capital Outlay</b>	0	0	0	
<b>Net Operating expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## APPENDIX 9 Business Plan Revenue

Year	Year	Income					Expenditure							Net Operating (Expenditure)	Provision for repayment of loans	RCCO	Surplus (Deficit) for the Year	Surplus (Deficit) b/fwd	Interest	Surplus (Deficit) c/fwd
		Net rent Income	Other income	Misc Income	RTB Admin	Total Income	Managt.	Depreciation	Responsible & Cyclical	Other Revenue spend	Total expenses	Capital Charges								
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000							
1	2012.13	58,611	2,857	1	57	61,527	-19,740	-13,282	-12,471	-151	-45,644	-7,504	8,378	0	0	8,378	18,044	316	26,738	
2	2013.14	58,321	2,819	189	114	61,443	-19,748	-13,513	-12,819	-286	-46,365	-6,849	8,228	0	-10,175	-1,947	26,738	129	24,920	
3	2014.15	59,234	2,857	189	114	62,394	-19,636	-13,582	-13,108	-286	-46,612	-6,950	8,832	0	-10,005	-1,173	24,920	243	23,990	
4	2015.16	60,479	2,857	189	114	63,639	-19,484	-13,642	-13,433	-286	-46,845	-7,194	9,599	0	-11,895	-2,295	23,990	343	22,038	
5	2016.17	61,910	2,857	189	114	65,070	-19,508	-13,858	-13,799	-286	-47,452	-7,846	9,772	0	-11,875	-2,102	22,038	315	20,250	
6	2017.18	63,510	2,857	189	114	66,670	-19,676	-14,077	-14,203	-286	-48,242	-8,422	10,007	0	-6,283	3,724	20,250	332	24,306	
7	2018.19	65,920	2,857	0	114	68,891	-19,791	-14,522	-14,648	-151	-49,112	-9,041	10,738	0	-9,723	1,015	24,306	620	25,941	
8	2019.2	68,189	2,857	0	114	71,161	-20,034	-15,061	-15,105	-151	-50,351	-8,855	11,954	0	-16,536	-4,582	25,941	591	21,950	
9	2020.21	70,060	2,857	0	114	73,031	-20,161	-15,380	-15,576	-151	-51,267	-8,855	12,909	0	-10,819	2,090	21,950	575	24,615	
10	2021.22	72,000	2,857	0	86	74,943	-20,415	-15,706	-16,064	-151	-52,336	-8,852	13,754	0	-15,932	-2,178	24,615	588	23,026	
11	2022.23	74,018	2,857	0	86	76,961	-20,554	-16,053	-16,388	-151	-53,146	-8,815	15,000	0	-4,356	10,644	23,026	709	34,378	
12	2023.24	76,091	2,857	0	86	79,033	-20,820	-16,409	-16,781	-151	-54,161	-8,815	16,058	0	-9,297	6,761	34,378	944	42,083	
13	2024.25	78,219	2,857	0	86	81,161	-20,972	-16,771	-17,234	-151	-55,127	-8,522	17,512	-13,000	-5,411	-900	42,083	1,041	42,224	
14	2025.26	80,406	2,857	0	86	83,348	-21,252	-17,142	-17,818	-151	-56,363	-7,937	19,048	-13,000	-10,674	-4,626	42,224	998	38,596	
15	2026.27	82,651	2,857	0	86	85,594	-21,417	-17,520	-18,245	-151	-57,332	-7,352	20,909	-13,000	-6,573	1,336	38,596	982	40,914	
16	2027.28	84,991	2,857	0	57	87,905	-21,711	-17,908	-18,756	-151	-58,525	-6,767	22,613	-13,000	-10,862	-1,250	40,914	1,007	40,672	
17	2028.29	87,430	2,857	0	57	90,345	-21,890	-18,320	-19,217	-151	-59,578	-6,182	24,585	-13,000	-6,471	5,114	40,672	1,081	46,866	
18	2029.3	89,940	2,857	0	57	92,854	-22,199	-18,743	-19,857	-151	-60,949	-5,597	26,307	-13,000	-12,376	932	46,866	1,183	48,981	
19	2030.31	92,518	2,857	0	57	95,432	-22,394	-19,174	-20,344	-151	-62,063	-5,012	28,357	-13,000	-7,741	7,616	48,981	1,320	57,917	
20	2031.32	95,169	2,857	0	57	98,083	-22,718	-19,616	-21,022	-151	-63,508	-4,427	30,148	-13,000	-14,029	3,119	57,917	1,487	62,523	
21	2032.33	97,896	2,857	0	57	100,810	-22,929	-20,067	-21,616	-151	-64,764	-3,842	32,204	-13,000	-9,229	9,975	62,523	1,688	74,186	
22	2033.34	100,699	2,857	0	57	103,613	-23,270	-20,530	-22,336	-151	-66,288	-3,404	33,921	-13,000	-15,929	4,992	74,186	1,917	81,095	
23	2034.35	103,579	2,857	0	57	106,494	-23,499	-21,002	-22,884	-151	-67,536	-2,714	36,244	-13,000	-10,768	12,475	81,095	2,183	95,753	
24	2035.36	106,542	2,857	0	57	109,457	-23,857	-21,487	-23,646	-151	-69,141	-1,654	38,661	-13,000	-17,904	7,758	95,753	2,491	106,001	
25	2036.37	109,589	2,857	0	57	112,504	-24,104	-21,980	-24,226	-151	-70,461	-904	41,139	-17,015	-12,457	11,667	106,001	2,796	120,465	
26	2037.38	112,768	2,857	0	29	115,654	-24,482	-22,487	-25,129	-151	-72,249	-478	42,926	0	-39,514	3,412	120,465	3,054	126,931	
27	2038.39	116,084	2,857	0	29	118,970	-24,748	-23,026	-25,763	-151	-73,688	-478	44,803	0	-34,325	10,479	126,931	3,304	140,713	
28	2039.4	119,497	2,857	0	29	122,383	-25,145	-23,580	-26,639	-151	-75,515	-478	46,390	0	-42,993	3,397	140,713	3,560	147,671	
29	2040.41	123,010	2,857	0	29	125,896	-25,432	-24,145	-27,311	-151	-77,039	-478	48,379	0	-37,517	10,861	147,671	3,828	162,359	
30	2041.42	126,953	2,857	0	29	129,839	-25,851	-24,726	-28,296	-151	-79,023	-166	50,650	-25,000	-43,856	-18,206	162,359	3,831	147,984	

**APPENDIX 10**  
**Business Plan Capital**

		Expenditure							Financing							
Year	Year	Fees for Major Works £,000	Future Major Repairs £,000	Disabled Adaptations £,000	Exceptional Extensive £,000	New Build Development Costs £,000	Other £,000	Total Expenditure £,000	Borrowing £,000	RTB Receipts £,000	Other £,000	MRR £,000	RCCO £,000	Total Financing £,000	Shortfall £,000	
1	2012.13	1,999	30,378	1,800	2,936	4,700	500	42,314	0	461	20,540	21,313	0	42,314	0	
2	2013.14	2,059	29,031	1,854	3,024	8,540	3,000	47,509	0	988	19,606	16,740	10,175	47,509	0	
3	2014.15	2,121	30,022	1,910	3,115	8,104	0	45,272	0	1,033	20,644	13,590	10,005	45,272	0	
4	2015.16	2,185	30,923	1,967	3,208	5,069	0	43,352	9,661	1,070	7,085	13,642	11,895	43,352	0	
5	2016.17	2,250	31,851	2,026	3,305	13,942	0	53,374	22,930	1,099	3,612	13,858	11,875	53,374	0	
6	2017.18	1,315	15,556	1,971	3,395	8,028	0	30,265	5,848	1,129	2,928	14,077	6,283	30,265	0	
7	2018.19	1,354	17,583	2,030	3,497	1,463	0	25,927	0	1,160	522	14,522	9,723	25,927	0	
8	2019.2	1,395	18,537	2,091	3,602	7,687	0	33,311	0	1,192	522	15,061	16,536	33,311	0	
9	2020.21	1,437	19,093	2,154	3,710	1,552	0	27,945	0	1,225	522	15,380	10,819	27,945	0	
10	2021.22	1,480	20,118	2,218	3,821	8,155	0	35,792	0	1,022	3,132	15,706	15,932	35,792	0	
11	2022.23	1,064	16,075	1,344	1,853	1,647	0	21,982	0	1,051	522	16,053	4,356	21,982	0	
12	2023.24	1,096	17,037	1,384	1,908	8,652	0	30,076	0	1,080	3,291	16,409	9,297	30,076	0	
13	2024.25	1,129	17,548	1,426	1,965	1,747	0	23,815	0	1,111	522	16,771	5,411	23,815	0	
14	2025.26	1,163	18,583	1,469	2,024	9,178	0	32,417	0	1,142	3,459	17,142	10,674	32,417	0	
15	2026.27	1,198	19,140	1,513	2,085	1,853	0	25,789	0	1,174	522	17,520	6,573	25,789	0	
16	2027.28	1,134	20,468	1,558	278	9,737	0	33,175	0	767	3,638	17,908	10,862	33,175	0	
17	2028.29	1,168	21,082	1,605	286	1,966	0	26,107	0	795	522	18,320	6,471	26,107	0	
18	2029.3	1,203	22,287	1,653	295	10,330	0	35,769	0	822	3,828	18,743	12,376	35,769	0	
19	2030.31	1,239	22,956	1,702	304	2,086	0	28,287	0	851	522	19,174	7,741	28,287	0	
20	2031.32	1,277	24,252	1,754	313	10,960	0	38,554	0	880	4,029	19,616	14,029	38,554	0	
21	2032.33	1,320	25,066	1,806	322	2,213	0	30,728	0	909	522	20,067	9,229	30,728	0	
22	2033.34	1,360	26,463	1,860	332	11,627	0	41,642	0	939	4,243	20,530	15,929	41,642	0	
23	2034.35	1,400	27,257	1,916	342	2,348	0	33,263	0	970	522	21,002	10,768	33,263	0	
24	2035.36	1,442	28,758	1,974	352	12,335	0	44,862	0	1,002	4,470	21,487	17,904	44,862	0	
25	2036.37	1,486	29,621	2,033	363	2,491	0	35,993	0	1,034	522	21,980	12,457	35,993	0	
26	2037.38	2,601	48,619	2,094	830	13,086	0	67,230	0	518	4,710	22,487	39,514	67,230	0	
27	2038.39	2,679	50,078	2,157	855	2,643	0	58,410	0	537	522	23,026	34,325	58,410	0	
28	2039.4	2,759	52,350	2,221	880	13,883	0	72,094	0	556	4,965	23,580	42,993	72,094	0	
29	2040.41	2,842	53,920	2,288	907	2,803	0	62,760	0	576	522	24,145	37,517	62,760	0	
30	2041.42	2,927	56,355	2,357	934	11,841	0	74,413	0	596	5,235	24,726	43,856	74,413	0	